



UMUZIWABANTU MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2008

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 29 in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 20 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

S D Mbhele
Municipal Manager

Date

UMUZIWABANTU MUNICIPALITY

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**UMUZIWABANTU MUNICIPALITY
GENERAL INFORMATION
YEAR ENDED 30 JUNE 2008**

COUNCIL MEMBERS

WM Memela	(Mayor)
JS Ncwane	(Deputy Mayor)
ZR Mbuthuma	(Speaker)
NB Dlamini	(Exco Member)
WM Memela	(District Council Representative)
SO Njongo	(District Council Representative)

GRADING OF MUNICIPALITY

Grade 4

AUDITORS

Auditor General

BANKERS

First National Bank of South Africa Limited

REGISTERED OFFICE

Main Street
HARDING

MUNICIPAL MANAGER

S D Mbhele

CHIEF FINANCIAL OFFICER

Vacant

UMUZIWABANTU MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net assets		82 103 824	91 270 235
Housing Development Fund	1	3 972 453	3 628 798
Capital replacement reserve		8 580 910	8 356 059
Capitalisation reserve		4 377 421	4 695 213
Government grant reserve		21 726 865	12 618 991
Donations and public contributions reserve		150 921	162 575
Revaluation reserve		11 210 000	31 843 502
Accumulated Surplus		32 085 254	29 965 097
Non- current liabilities			
Long -term liabilities	2	490 950	647 280
Current liabilities		15 976 743	13 030 796
Consumer deposits	3	512 119	484 828
Creditors	4	3 440 856	4 022 878
Unspent grants and receipts	5	11 867 439	8 389 828
Current portion of long - term liabilities	2	156 329	133 262
Total Net Assets and Liabilities		98 571 517	104 948 311
ASSETS			
Non-current assets		64 282 886	71 539 934
Property,plant and equipment	8	46 596 651	55 672 855
Plantation inventories	11	17 674 936	-
Investments	9	11 299	10 799
Long-term receivables	10	-	15 856 280
Current assets		34 288 631	33 408 377
Inventory	11	185 456	60 981
Consumer debtors	12	8 611 661	7 699 069
Other debtors	13	1 669 333	1 319 222
VAT	6	964 820	169 837
Call investment deposits	14	22 419 539	22 833 987
Bank balances	7	437 255	1 325 131
Cash	7	567	150
Total Assets		98 571 517	104 948 311

UMUZIWABANTU MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008

Budget 2007 R	Budget 2008 R		Note	Actual 2008 R	Actual 2007 R
REVENUE					
3 635 000	4 135 000	Property rates	15	3 737 382	3 534 696
750 000	990 000	Property rates-penalties and charges		813 378	810 079
7 269 450	8 225 000	Service charges	16	8 602 189	7 952 800
167 000	232 000	Rental on facilities and equipment		131 330	123 652
1 080 000	1 735 000	Interest earned-external investments		1 322 807	897 177
251 200	1 251 500	Fines		74 680	51 343
1 350 000	1 563 000	Licences and permits		1 538 670	900 808
20 613 100	18 841 500	Government grants and subsidies	17	26 007 810	29 718 281
		Capital grants	17	9 931 513	2 000 956
		Afforestation Scheme sales		6 067 940	
		Changes in value of biological assets	11	3 460 113	
324 250	695 000	Other Income	18	569 717	5 167 184
35 440 000	37 668 000	Total Revenue		62 257 529	51 156 976
EXPENDITURE					
12 287 600	14 204 500	Employee related costs	19	14 052 420	11 100 667
4 514 900	3 641 700	Remuneration of Councillors	20	3 712 173	3 540 760
6 000	182 000	Bad debts		(52 662)	365 585
1 596 300	1 811 700	Depreciation		2 228 774	1 664 376
2 776 500	2 788 200	Repairs and maintenance		2 450 083	2 056 131
258 000	255 100	Interest paid	21	121 772	140 833
4 753 000	5 172 000	Bulk purchases	22	5 398 731	4 727 787
1 990 000	1 014 000	Contracted services		787 252	1 559 728
-		Grants paid		-	-
7 257 700	8 598 800	General expenses		5 692 669	5 393 573
		Afforestation Scheme cost of sales		3 307 193	
		Afforestation Scheme general expenses		666 220	
-		Housing Projects expenditure	17	13 605 438	11 535 830
35 440 000	37 668 000	Total Expenditure		51 970 063	42 085 270
-	-	SURPLUS FOR THE YEAR		10 287 466	9 071 706
Refer to Appendix E (1) for explanation of variances					

UMUZIWABANTU MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Donations and Public Contribution Reserve	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R
Balance at 30 June 2006	3 394 670	7 570 739	5 078 258	11 187 165	162 688	27 842 837	22 165 252	77 401 609
2007								
Surplus for the year							9 071 706	9 071 706
Interest on external investments	298 729	600 397					899 126	899 126
Increase in plantation inventories						4 000 665	4 000 665	4 000 665
Receipt					10 000		10 000	10 000
Depreciation for the year	(112 871)						(112 871)	(112 871)
Contribution to Capital Replacement Reserve		2 200 000					(2 200 000)	-
Property, plant and equipment purchased		(2 015 077)					2 015 077	-
Capital grants used to purchase PPE				2 000 956			(2 000 956)	-
Offsetting of depreciation								
- transfer to Accumulated Surplus			(383 045)	(520 860)	(10 113)		914 018	-
- transfer to Housing Development Fund	48 270			(48 270)				-
Balance at 30 June 2007	3 628 798	8 356 059	4 695 213	12 618 991	162 575	31 843 502	29 965 097	91 270 235
2008								
Surplus for the year	-						10 287 466	10 287 466
Interest on external investments	408 256	888 561					1 296 817	1 296 817
Plantation adjustments				(4 321)		(14 210 502)	(14 214 823)	(14 214 823)
Land valuation adjustment						(6 423 000)	(6 423 000)	(6 423 000)
Depreciation for the year	(112 871)						(112 871)	(112 871)
Contribution to Capital Replacement Reserve		2 900 000					(2 900 000)	0
Property, plant and equipment purchased		(3 563 710)					3 563 710	0
Capital grants used to purchase PPE				9 931 513			(9 931 513)	0
Offsetting of depreciation								
- transfer to Accumulated Surplus			(317 792)	(771 048)	(11 654)		1 100 494	0
- transfer to Housing Development Fund	48 270			(48 270)				0
Balance at 30 June 2008	3 972 453	8 580 910	4 377 421	21 726 865	150 921	11 210 000	32 085 254	82 103 824

UMUZIWABANTU MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Sales of goods and services		13 481 578	16 265 770
Grants		26 007 810	29 718 281
Afforestation Scheme sales		6 067 940	-
Interest received		2 619 624	1 796 302
Other receipts		775 727	5 342 179
Payments			
Employee costs		(14 052 420)	(11 100 667)
General expenses		(6 940 911)	(3 489 802)
Bulk electricity purchases		(5 398 731)	(4 727 787)
Interest paid		(122 772)	(140 833)
Housing projects expenditure		(13 605 438)	(11 535 830)
Other payments		(11 980 859)	(7 926 269)
NET CASH FROM OPERATING ACTIVITIES		(3 148 452)	14 201 344
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(13 903 263)	(4 016 032)
(Increase)/decrease in long - term receivables		15 856 280	(4 706 485)
(Increase)/decrease in call investment deposits		414 448	(5 392 718)
(Increase)/decrease in investments		(500)	-
NET CASH FROM INVESTING ACTIVITIES		2 366 965	(14 115 235)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans (repaid)		(133 263)	(114 201)
Increase/(decrease) in consumer deposits		27 291	25 158
NET CASH FROM FINANCING ACTIVITIES		(105 972)	(89 043)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(887 459)	(2 934)
Cash and cash equivalents at the beginning of the year	24	1 325 281	1 328 215
Cash and cash equivalents at the end of the year	24	437 822	1 325 281

**UMUZIWABANTU MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

1. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

These standards are summarised as follows :

GRAP 1 : Presentation of financial statements

GRAP 2 : Cash flow statements

GRAP 3 : Accounting policies, changes in accounting estimates and errors

GAMAP 4 : Effects of changes in foreign exchange rates

GAMAP 9 : Revenue

GAMAP 7 : Accounting for investments in associates

GAMAP 8 : Financial reporting of interests in joint ventures

GAMAP12 : Inventories

GAMAP17 : Property, plant and equipment

GAMAP19 : Provisions, contingent liabilities and contingent assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007 - Gazette 30013 - exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements. A summary of the significant accounting policies, which have been consistently applied, except where an exemption has been granted, are disclosed below.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. RESERVES

4.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from accumulated surplus/deficit to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account.

The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/deficit is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

**UMUZIWABANTU MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

4.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/deficit in terms of a directive issued by National Treasury.

The purpose of this Reserve is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

4.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to accumulated surplus/(deficit).

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

4.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

**UMUZIWABANTU MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

4.5 Revaluation Reserve

The surplus arising from the revaluation of land is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost less accumulated depreciation, except land, which is revalued as indicated below.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

Infrastructure	Years	Other	Years
Roads and Paving	10	Buildings	30
Taxi Ranks	20	Vehicles	5
		Disaster Management	2-10
Community		Office equipment	2-10
Buildings	30	Furniture and fittings	2-10
Refuse Dump	20	Plant and equipment	2-15

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and carrying value and is recognised in the Statement of Financial Performance.

In 2006/2007 the requirements of GAMAP 17 and IAS 36 were not complied with as follows :

- Review of useful life of items of property, plant and equipment recognised in the annual financial statements
- Review of depreciation method applied to property, plant and equipment recognised in the annual financial statements
- Testing for and impairing any items of property, plant and equipment recognised in the annual financial statements

In 2007/2008 these requirements have also not been complied with due to the exemption granted in Gazette 30013 (see note 1).

6. REVALUATION OF LAND

Land is stated at the values reflected in the valuation roll. The effective date of the last revaluation was 1 January 1999.

7. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

8. ACCOUNTS RECEIVABLE AND CREDITORS

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end.

Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

Trade creditors are stated at their nominal value.

**UMUZIWABANTU MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

9. FINANCIAL INSTRUMENTS

In 2006/2007 the requirements of IAS 39 were not complied with in that financial assets and financial liabilities were not measured at fair value. In addition the disclosure requirements of IAS 32 were not complied with.

In 2007/2008 these requirements have also not been complied with due to the exemption granted in Gazette 30013 (see note 1).

10. REVENUE RECOGNITION

In 2006/2007 revenue was recognised at cost, and no interest was recognised as a result of any time value of money adjustments.

This policy has been followed in 2007/2008 due to the exemption granted in Gazette 30013 (see note 1).

10.1 Revenue from Exchange Transactions

Service charges relating to refuse removal are raised by means of a rate, and the rate is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividends.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Where public contributions have been received but the Municipality not met the condition, a liability is recognised.

10.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises.

Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on the time proportion basis.

Fines constitute both spot fines and summonses.

Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment when such items of property, plant and equipment are brought into use.

**UMUZIWABANTU MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

REVENUE RECOGNITION (continued)

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

11. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions and obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

12. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

13. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

**UMUZIWABANTU MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

14. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

15. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003) the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. COMPARATIVE INFORMATION

17.1 Current year comparatives:

Budgeted amounts have been included in the annual statements for the current financial year only.

17.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

In previous years the Afforestation Scheme was accounted for using the equity method. From 1 July 2007 the Scheme's operations have been incorporated on a line-by-line basis into the financial statements.

The 2007 comparatives have not been restated.

18. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

19. INVESTMENTS

Financial instruments, which include short-term deposits invested in recognised commercial banks, are stated at cost.
See also note 9.

**UMUZIWABANTU MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

20. LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

In 2006/2007 lease expenditure was recognised in accordance with the actual cash outflows. This policy has continued in 2007/2008 due to the exemption granted in Gazette 30013 (see note 1).

21. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

22. HOUSING DEVELOPMENT FUND

The Housing Development Fund is mostly cash-backed and is dedicated to housing needs. The cash was generated by the sale of plots some years ago, and expenditure thereof is subject to approval of the Housing Board.

23. AFFORESTATION

The Harding Afforestation Scheme (the Scheme) is managed by NCT Tree Farming (Pty) Ltd (NCT) and NCT is paid a management fee for this service by the Scheme. The Scheme's annual net profit accrues to the Umuziwabantu Municipality (UM).

In terms of the agreement between NCT and UM certain fixed assets and the plantations under the control of the Scheme are the property of, and will remain the property of, the Umuziwabantu Municipality.

Biological assets (plantation inventories) are stated at fair value less estimated point of sale costs, based on the present value of net future cash flows from the asset discounted at a market determined pre-taxation rate. Increases or decreases in value are recognised in the income statement. All expenses incurred in maintaining and protecting the assets are recognised in the income statement. Finance charges are not capitalised.

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
1. HOUSING DEVELOPMENT FUND		
Housing Development Fund	3 972 453	3 628 798
The Housing development fund is represented by the following assets and liabilities		
- Property, plant and equipment (see note 8)	30 583	31 675
- Housing rental debtors (see note 13)	50 376	50 376
- Cash resources	4 067 181	3 690 184
Sub- total	4 148 140	3 772 235
- Creditors (see note 4)	(175 687)	(143 437)
Total Housing Development Fund Assets and Liabilities	3 972 453	3 628 798
2. LONG -TERM LIABILITIES		
Annuity Loans	647 279	780 542
Less: Current portion transferred to current liabilities	(156 329)	(133 262)
Total External Loans	490 950	647 280
Refer to Appendix A for more detail on long -term liabilities. Financial liabilities have not been measured at fair value due to the application of an exemption granted in Gazette 30013.		
In 2004/2005 all the Water Service balances were taken out of the books because the Water Service became a District Municipality function. These balances included external loans owing to the Development Bank of South Africa. Since then all loan charges relating to these loans have been paid by the UGU District Municipality - even though the loans are still in the name of the Umuziwabantu Municipality. These loan balances at 30 June 2008 totalled R 916,078.		
3. CONSUMER DEPOSITS		
Electricity	512 119	484 828
Financial liabilities have not been measured at fair value due to the application of an exemption granted in Gazette 30013.		
4. CREDITORS		
Trade creditors	1 443 125	2 340 545
Housing creditors	175 687	143 437
Staff leave	807 672	805 510
Other creditors	1 014 372	733 386
Total creditors	3 440 856	4 022 878
Financial liabilities have not been measured at fair value due to the application of an exemption granted in Gazette 30013.		

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
5. UNSPENT GRANTS AND RECEIPTS		
5.1 Conditional grants from other spheres of Government		
Specific Projects (see note 17)	6 737 917	6 760 306
Housing Projects (see note 17)	-	-
5.2 Unconditional grant		
Equitable Share (see note 17)	5 129 522	1 629 523
Total unspent Grants and Receipts	11 867 439	8 389 829

See Note 17 for reconciliation of grants from other spheres of government.
These amounts are invested in ring-fenced investments until utilised.
Financial liabilities have not been measured at fair value due to the application of an exemption granted in Gazette 30013.

6. VAT		
VAT receivable	964 820	169 837

VAT is payable on the invoice basis.
Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.

7. BANK BALANCES AND CASH

7.1 The Municipality has the following bank accounts :

Current Account (Primary Bank Account)

First National Bank-Harding

Account Number - 52401817550

Cash Book balance at beginning of year

Cash Book balance at end of year

1 325 131	1 327 520
135 988	1 325 131

Bank Statement balance at beginning of year

Bank Statement balance at end of year

1 327 777	1 357 090
146 841	1 327 777

Current Account (Afforestation Scheme) (see note 29)

First National Bank-Bank Street : Pietermaritzburg

Account Number - 50932742767

Cash Book balance at beginning of year

Cash Book balance at end of year

301 267	
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Bank Statement balance at beginning of year

Bank Statement balance at end of year

315 979	
---------	--

Cash Book balance at end of year

437 255	1 325 131
----------------	------------------

7.2 Cash balances

567	150
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Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**8. PROPERTY, PLANT AND EQUIPMENT
30 JUNE 2008**

Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infrastruc- ture</u>	<u>Community</u>	<u>Other</u>	<u>Total</u>
	R	R	R	R	R
Carrying values at 1 July 2007	21 640 547	10 222 217	19 318 953	4 491 138	55 672 855
Cost	6 516 286	15 765 816	6 576 729	7 941 021	36 799 852
Revaluation	17 633 000		14 210 503		31 843 503
Accumulated depreciation	2 508 739	5 543 599	1 468 279	3 449 883	12 970 500
- Cost	2 508 739	5 543 599	1 468 279	3 449 883	12 970 500
- Revaluation	-	-	-	-	-
Acquisitions	537 952	9 899 408	1 138 391	2 327 512	13 903 263
Valuation adjustments	(6 423 000)		(14 214 823)		(20 637 823)
Category adjustments adjustments	126 543		(126 543)		-
Depreciation	314 421	651 761	365 579	1 009 883	2 341 644
Carrying value of disposals					
Cost/revaluation					
Accumulated depreciation					
Carrying values at 30 June 2008	15 567 621	19 469 864	5 750 399	5 808 767	46 596 651
Cost	7 180 781	25 665 224	7 584 257	10 268 533	50 698 795
Revaluation	11 210 000				11 210 000
Accumulated depreciation	2 823 160	6 195 360	1 833 858	4 459 766	15 312 144
- Cost	2 823 160	6 195 360	1 833 858	4 459 766	15 312 144
- Revaluation	-	-	-	-	-

Land is stated at the values reflected in the valuation roll.
The effective date of the last revaluation was 1 January 1999.

Refer to Appendix B for more detail on property, plant and equipment.

The municipality did not review the useful life or the depreciation method used on, and did not test and account for impairment of, the assets recognised in the annual financial statements for the 2007/2008 financial year.
This is due to the exemption granted in Gazette 30013 (see accounting policy note 1).

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**8. PROPERTY, PLANT AND EQUIPMENT
30 JUNE 2007**

Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infrastructure</u>	<u>Community</u>	<u>Other</u>	<u>Total</u>
	R	R	R	R	R
Carrying values at 1 July 2006	21 497 320	8 608 863	15 215 352	4 111 870	49 433 405
Cost	6 145 056	13 682 598	6 153 012	6 803 154	32 783 820
Revaluation	17 633 000	-	10 209 838	-	27 842 838
Accumulated depreciation	2 280 736	5 073 735	1 147 498	2 691 284	11 193 253
- Cost	2 280 736	5 073 735	1 147 498	2 691 284	11 193 253
- Revaluation	-	-	-	-	-
Acquisitions	371 230	2 083 218	423 717	1 137 867	4 016 032
Adjustments			4 000 665		4 000 665
Depreciation	228 003	469 864	320 781	758 599	1 777 247
Carrying value of disposals					
Cost/revaluation					
Accumulated depreciation					
Carrying values at 30 June 2007	21 640 547	10 222 217	19 318 953	4 491 138	55 672 855
Cost	6 516 286	15 765 816	6 576 729	7 941 021	36 799 852
Revaluation	17 633 000		14 210 503		31 843 503
Accumulated depreciation	2 508 739	5 543 599	1 468 279	3 449 883	12 970 500
- Cost	2 508 739	5 543 599	1 468 279	3 449 883	12 970 500
- Revaluation	-	-	-	-	-

Land is stated at the values reflected in the valuation roll.
The effective date of the last revaluation was 1 January 1999.

Refer to Appendix B for more detail on property, plant and equipment.

The municipality did not review the useful life or the depreciation method used on, and did not test and account for impairment of, the assets recognised in the annual financial statements for the 2006/2007 financial year.
This is due to the exemption granted in Gazette 30013 (see accounting policy note 1).

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
9. INVESTMENTS		
Unlisted:		
Shares	11 299	10 799
Management's valuation of unlisted investments	11 299	10 799
10. LONG -TERM RECEIVABLES		
Forestry deferred profit	-	15 856 280
Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.		
11. INVENTORIES		
Plantation standing timber - Afforestation Scheme	17 674 936	-
The increase in fair value during the year was R 3,460,113. The Scheme held 1,049 (2007 : 1,034) hectares of plantations at year end. The Scheme is exposed to financial risks arising from changes in standing timber prices. The Scheme does not anticipate that standing crop prices will decline significantly in the foreseeable future, and therefore, has not entered into any derivative or other contract to manage the risk of a decline in standing crop prices. The Scheme reviews its outlook for standing timber prices regularly in considering the need for active financial risks management.		
Consumable stores	185 456	60 981
12. CONSUMER DEBTORS		
Service debtors		
Rates	7 126 451	6 275 457
Refuse	629 278	506 602
Electricity	1 553 308	1 764 884
Sundry	803 262	705 426
	10 112 299	9 252 369
Less: Provision for bad debts	(1 500 638)	(1 553 300)
Total	8 611 661	7 699 069
The debtors system does not cater for - ageing of consumer debtors - customer classification of debtors Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.		
13. OTHER DEBTORS		
Ugu District Municipality	1 256 937	1 256 937
Stolen monies control account	-	175 165
Sundry	4 968	9 568
Salaries control	18 486	2 341
Afforestation Scheme debtors	338 566	-
Housing rental debtors	50 376	50 376
	1 669 333	1 494 387
Less: Provision for bad debts	-	(175 165)
Total Other Debtors	1 669 333	1 319 222
Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.		
14. CALL INVESTMENT DEPOSITS		
Other deposits	22 419 539	22 833 987
Deposits of R 8,580,910 (2007 : R 7,927,179) will be ring-fenced and attributable to the Capital Replacement Reserve. Further deposits of R 11,867,439 (2007: R 9,217,965) have also been ring-fenced to cover unspent conditional and unconditional grants and receipts. Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.		

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
15. PROPERTY RATES		
<u>Actual</u>		
Residential	1 345 556	1 210 707
Commercial and Industrial	1 723 072	1 757 094
State	668 754	566 895
Total Assessment Rates	3 737 382	3 534 696
<u>Valuations</u>		
Residential	101 055 000	94 004 800
Commercial and Industrial	62 579 000	63 442 000
State	15 548 000	14 903 000
Total Property Valuations	179 182 000	172 349 800
<p>Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 January 1999. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions. Different rate randages for Domestic, Commercial, Industrial and State properties are applied to property valuations to determine assessment rates. Rates are levied annually. Interest at 18% per annum is levied on outstanding rates, as well as a 10% collection charge two months after final date for payment.</p>		
16. SERVICE CHARGES		
Sale of electricity	7 704 698	7 178 442
Refuse removal	897 491	774 358
Sundry charges	-	-
Total Service Charges	8 602 189	7 952 800
17. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	11 095 038	16 373 817
Specific projects	677 207	1 176 782
Housing projects	13 605 438	11 535 830
Health subsidies relating to the Clinic	630 127	631 852
Capital grants	26 007 810	29 718 281
	9 931 513	2 000 956
Total Government Grants and Subsidies	35 939 323	31 719 237
17.1 Equitable share		
Unspent at beginning of year	1 629 522	1 629 522
Current year receipts	14 615 303	16 438 973
Allocated to Housing revenue	(20 265)	(65 155)
Conditions met - transferred to revenue	(11 095 038)	(16 373 817)
Unspent at end of the year (see note 5)	5 129 522	1 629 523
17.2 Specific projects		
Unspent at beginning of year	6 760 306	4 189 247
Current year receipts	11 216 458	6 380 649
Capital expenditure funded - transferred to revenue	(9 931 513)	(2 000 956)
Conditions met - transferred to revenue	(677 207)	(1 176 782)
Health subsidies relating to the Clinic	(630 127)	(631 852)
Conditions still to be met - transferred to liabilities (see note5)	6 737 917	6 760 306
17.3 Housing projects		
Unspent at beginning of year	-	517 090
Current year receipts	13 605 438	11 018 739
Conditions met - transferred to revenue and expenditure	(13 605 438)	(11 535 829)
Conditions still to be met - transferred to liabilities (see note5)	-	-
17.4 Changes in levels of government grants		
<p>Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forth coming 3 financial years.</p>		

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
18. OTHER INCOME		
Sale of timber (see note 29)	-	4 975 916
Other income	569 717	191 268
Total Other Income	569 717	5 167 184
19. EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	10 059 651	8 136 602
Employee related costs - Contributions to UIF,pensions and medical aids	1 980 300	1 631 838
Travel, motor car, accommodation, subsistence, housing and other allowances	688 535	343 838
Uniforms and protective clothing	48 887	80 828
Overtime payments	1 275 047	907 561
Performance bonus	-	-
Total Employee Related Costs	14 052 420	11 100 667
There were no advances to employees.		
Remuneration of the Municipal Manager		
Annual Remuneration	438 686	361 152
Bonus	-	-
Car Allowance	102 000	74 000
Other Allowances	-	4 929
Contributions to UIF,Medical and Pension Funds	1 473	17 645
Total	542 159	457 726
Remuneration of the Chief Finance Officer		
Annual Remuneration	168 035	262 700
Bonus	-	-
Car Allowance	30 000	71 009
Other Allowances	-	4 471
Contributions to UIF,Medical and Pension Funds	42	19 035
Total	198 077	357 215
Remuneration of Manager of Corporate Services		
Annual Remuneration	167 983	215 269
Bonus	-	-
Car Allowance	53 419	52 000
Other Allowances	-	-
Contributions to UIF, Medical and Pension Funds	-	1 076
Total	221 402	268 345
Remuneration of Manager of Technical Services		
Annual Remuneration	199 409	269 927
Bonus	-	-
Car Allowance	48 000	68 808
Other Allowances	-	4 412
Contributions to UIF, Medical and Pension Funds	749	2 965
Total	248 158	346 112
20. REMUNERATION OF COUNCILLORS		
Mayor	482 365	363 831
Deputy Mayor	388 236	292 914
Councillors	2 841 572	2 884 015
Total	3 712 173	3 540 760

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
21. INTEREST PAID		
Annuity loans	<u>121 772</u>	<u>140 833</u>
22 BULK PURCHASES		
Electricity	<u>5 398 731</u>	<u>4 727 787</u>
23. CASH GENERATED BY OPERATIONS		
Surplus for the year	10 287 466	9 071 706
Adjustment for: -		
Depreciation	2 228 774	1 664 376
Contribution to bad debts provision	(52 662)	365 585
Investment income allocated to Reserves	1 296 817	899 126
Cash contributions from the public and state	-	10 000
Operating surplus before working capital changes:	<u>13 760 395</u>	<u>12 010 793</u>
(Increase)/decrease in plantation inventory	(17 674 936)	-
(Increase)/decrease in other inventory	(124 476)	49 621
(Increase)/decrease in consumer debtors	(859 930)	(1 948 269)
(Increase)/decrease in other debtors	(350 111)	134 006
(Decrease)/increase in unspent conditional grants and receipts	3 477 611	2 053 969
Increase/(decrease) in creditors	(582 022)	1 903 771
(Increase)/decrease in VAT	(794 983)	(2 547)
Cash generated by(utilised in) operations	<u>(3 148 452)</u>	<u>14 201 344</u>
24. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank balances and cash	<u>437 822</u>	<u>1 325 281</u>

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
25. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>25.1 Contributions to organised local government</u>		
Opening balance	-	-
Council subscriptions	6 000	39 493
Amount paid - current year	(6 000)	(39 493)
Amount paid - previous years	-	-
Balance unpaid	0	0
<u>25.2 Audit fees</u>		
Opening balance	-	-
Current year audit invoices	569 202	521 728
Amount paid - current year	(569 202)	(521 728)
Amount paid - previous years	-	-
Balance unpaid	0	0
<u>25.3 VAT</u>		
VAT inputs receivables and VAT outputs payable are shown in note 6. All Vat returns have been submitted by the due date throughout the year.		
<u>25.4 PAYE and UIF</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	1 992 995	1 550 099
Amount paid - current year	(1 992 995)	(1 550 099)
Amount paid - previous years	-	-
Balance unpaid	0	0
<u>25.5 Pension and Medical Aid Deductions</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	2 772 544	2 343 613
Amount paid - current year	(2 772 544)	(2 343 613)
Amount paid - previous years	-	-
Balance unpaid	0	0

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2008 R	2007 R
26. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
-Approved and contracted for	-	-
<i>Infrastructure</i>	-	-
<i>Community</i>	-	-
<i>Other</i>	-	-
-Approved but not yet contracted for	16 797 100	15 075 000
<i>Infrastructure</i>	10 741 100	9 750 000
<i>Community</i>	3 610 000	2 025 000
<i>Other</i>	2 446 000	3 300 000
Total	16 797 100	15 075 000
This expenditure will be financed from;		
-External Loans	-	-
-Capital Replacement Reserve	6 990 100	6 400 000
-Government Grants	9 807 000	8 675 000
Total	16 797 100	15 075 000

27. RETIREMENT BENEFIT INFORMATION

The personnel are members of the Natal Joint Municipal Pension Funds.

The following information has been provided in circulars dated 22 March 2007 in respect of service to 31 March 2006 :

Surplus in respect of pensioners

Deficit in respect of members

Percentage funded - in total

The Funds did not hold an investment reserve,

Retirement Fund	Retirement Fund
R 63,4 million	R 63,4 million
R(204,3)million	R(204,3)million
87,7%	87,7%

The contributions have been expensed.

28. CONTINGENT LIABILITY

-	-
---	---

29. AFFORESTATION

The municipality's plantations are known as The Umuziwabantu Municipality Harding Afforestation Scheme. This Scheme has entered into an agreement with NCT Forestry Co-operative in terms of which the latter has taken over the management of the timber plantations owned by The Umuziwabantu Municipality Harding Afforestation Scheme. By agreement this function is now being performed by NCT Tree Farming (Pty) Ltd, a wholly owned subsidiary of the co-operative.

In terms of this agreement NCT Tree Farming (Pty) Ltd is entitled to a profit share equal to 5% of the net profit generated by the forestry operations prior to the deduction of such fee.

Further, NCT Tree Farming (Pty) Ltd is not entitled to any payment other than the recovery of direct costs should the forestry operation not make a profit, or if a loss is made in any year, nor is it liable for any losses other than in the case of NCT Tree Farming (Pty) Ltd's negligence in terms of the agreement.

No taxation has been provided as the net income is attributable directly to the Umuziwabantu Municipality.

In previous years the Afforestation Scheme was accounted for using the equity method.

From 1 July 2007 the Scheme's operations have been incorporated on a line-by-line basis into the financial statements.

The 2007 comparatives have not been restated.

30. RELATED PARTY TRANSACTIONS

Afforestation income :

- Earned by the municipality

- Earned by NCT Tree Farming (Pty) Ltd

2008 R
4 811 239
103 003

APPENDIX A
UMUZIWABANTU MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

EXTERNAL LOANS	Redeemable	Interest Rate	Balance at 30.06.2007	Received during the year	Redeemed during the year	Balance at 30.06.2008	Carrying Value of Property, Plant and Equipment
			R	R	R	R	R
Development Bank of SA	31.12.2010	16,25%	223 225	-	(51 517)	171 708	
Development Bank of SA	30.06.2011	16,32%	243 389	-	(47 261)	196 128	
Development Bank of SA	30.06.2013	15,80%	313 928	-	(34 485)	279 443	
			780 542	0	(133 263)	647 279	711 593

Note

In 2004/2005 all the Water Service balances were taken out of the books because the Water Service became a District Municipality function. These balances included external loans owing to the Development Bank of South Africa.

Since then all loan charges relating to these loans have been paid by the UGU District Municipality - even though the loans are still in the name of the Umuziwabantu Municipality.

These loan balances at 30 June 2008 totalled R 916,078.

APPENDIX B

UMUZIWABANTU MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost /Revaluation					Accumulated Depreciation				Carrying Value	Budget Additions 2008
	Opening Balance	Additions 2007/2008	Adjustments 2007/2008	Disposals 2007/2008	Closing Balance	Opening Balance	Depreciation 2007/2008	Disposals 2007/2008	Closing Balance		
Land and Buildings											
Land	17 633 000		(6 423 000)		11 210 000	-			-	11 210 000	
Office	2 737 022				2 737 022	318 532	123 554		442 086	2 294 936	150 000
Workshop	463 302				463 302	48 330	71 843		120 173	343 129	
Public toilets	56 376	537 952			594 328	22 659	6 153		28 812	565 516	400 000
Housing projects	3 386 129				3 386 129	2 119 218	112 871		2 232 089	1 154 040	950 000
	24 275 829	537 952	(6 423 000)	0	18 390 781	2 508 739	314 421		2 823 160	15 567 621	1 500 000
Infrastructure											
Roads, Streets, Taxi ranks	6 120 229	9 811 583			15 931 812	2 703 533	317 984		3 021 517	12 910 295	6 450 000
Electricity	9 645 587	87 825			9 733 412	2 840 066	333 777		3 173 843	6 559 569	3 300 000
	15 765 816	9 899 408	0	0	25 665 224	5 543 599	651 761	0	6 195 360	19 469 864	9 750 000
Community Assets											
Dump fencing	370 285				370 285	370 284			370 284	1	
Cemetery fencing	17 112				17 112	17 112			17 112	0	
Plantations and machinery	14 377 259	408 041	(14 214 823)		570 477	65 203	41 463		106 666	463 811	
Sports Clubs	11 785				11 785	11 785			11 785	0	
Parks & Gardens / Sport	-	42 115			42 115	-	9 781		9 781	32 334	100 000
Library	1 798 361	81 761			1 880 122	246 968	62 597		309 565	1 570 557	75 000
Town hall	264 626	108 720			373 346	101 308	38 088		139 396	233 950	150 000
Clinic	463 072				463 072	185 229	15 436		200 665	262 407	
Estates	223 454				223 454	114 306	6 668		120 974	102 480	
Community buildings	3 134 736	497 754			3 632 490	356 084	191 546		547 630	3 084 860	
	20 660 690	1 138 391	(14 214 823)	0	7 584 258	1 468 279	365 579	0	1 833 858	5 750 400	325 000
Other Assets											
Motor vehicles	3 101 451	1 551 461			4 652 912	1 556 297	393 123		1 949 420	2 703 492	2 150 000
Plant, machinery and equipment	2 769 728	261 500			3 031 228	898 710	317 227		1 215 937	1 815 291	500 000
Weapons	58 755				58 755	10 406	7 501		17 907	40 848	
Disaster management equipment	30 831				30 831	11 427	4 404		15 831	15 000	
Office equipment	1 157 425	178 194			1 335 619	658 279	163 474		821 753	513 866	
Office furniture and fittings	822 522	336 357			1 158 879	314 456	124 154		438 610	720 269	850 000
Dipping and grazing	308				308	308			308	0	
	7 941 020	2 327 512	0	0	10 268 532	3 449 883	1 009 883	0	4 459 766	5 808 766	3 500 000
Non Capital items											8 883 000
Total Assets	68 643 355	13 903 263	(20 637 823)	0	61 908 795	12 970 500	2 341 644	0	15 312 144	46 596 651	23 958 000

APPENDIX C

**UMUZIWABANTU MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
30 JUNE 2008**

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions 2007/2008	Adjustments 2007/2008	Disposals 2007/2008	Closing Balance	Opening Balance	Additions 2007/2008	Disposals 2007/2008	Closing Balance	
Rate and General Service										
Administration	1 682 340	941 905			2 624 245	862 635	252 927		1 115 562	1 508 683
Afforestation	14 446 944	408 041	(14 214 823)		640 162	134 888	41 463		176 351	463 811
Clinic	571 226				571 226	273 270	23 659		296 929	274 297
Dipping and Grazing	308				308	308			308	0
Estates	223 454				223 454	114 306	6 668		120 974	102 480
Library	2 284 320	121 189			2 405 509	388 621	124 684		513 305	1 892 204
Parks and Gardens	181 728	69115			250 843	134 933	49 969		184 902	65 941
Public Health	2 054 968	1 440 457			3 495 425	1 109 061	215 840		1 324 901	2 170 524
Public Works	8 809 524	10 187 792			18 997 316	3 719 776	603 273		4 323 049	14 674 267
Municipal Buildings & Halls	6 225 198	646 940			6 872 138	819 026	371 324		1 190 350	5 681 788
Protection Services	292 178				292 178	115 639	38 293		153 932	138 246
Workshop	575 306				575 306	144 390	79 158		223 548	351 758
Land	17 633 000		(6 423 000)		11 210 000	0			0	11 210 000
	54 980 494	13 815 439	(20 637 823)	0	48 158 110	7 816 853	1 807 258	0	9 624 111	38 533 999
Electricity Service	10 276 732	87 824			10 364 556	3 034 428	421 515		3 455 943	6 908 613
Housing	3 386 129				3 386 129	2 119 219	112 871		2 232 090	1 154 039
TOTAL	68 643 355	13 903 263	(20 637 823)	0	61 908 795	12 970 500	2 341 644	0	15 312 144	46 596 651

APPENDIX D

**UMUZIWABANTU MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008**

2007 Actual Income	2007 Actual Expenditure	2007 Surplus / (Deficit)		2008 Actual Income	2008 Actual Expenditure	2008 Surplus / (Deficit)
R	R	R		R	R	R
			RATE AND GENERAL SERVICE			
			Executive and Council			
4 355 359	4 345 100	10 259	Council	1 582 565	4 386 732	(2 804 167)
710 470	606 841	103 629	Municipal Manager	1 141 603	1 044 317	97 286
5 065 829	4 951 941	113 888		2 724 168	5 431 049	-2 706 881
			Finance and Administration			
1 927 336	3 704 323	(1 776 987)	Budget and Treasury Office	1 582 766	2 932 627	(1 349 861)
4 503 650	364 222	4 139 428	Property Services	4 639 832	563 372	4 076 460
31 196	1 875 854	(1 844 658)	Corporate Services	15 457	1 945 183	(1 929 726)
-	180 741	(180 741)	Human Resources		211 134	(211 134)
-	404 892	(404 892)	Information Technology		256 011	(256 011)
6 462 182	6 530 032	-67 850		6 238 055	5 908 327	329 728
			Health			
1 010 035	771 878	238 157	Clinic	891 873	806 034	85 839
			Community & Social Services			
285 551	334 219	(48 668)	Cemetery	348 233	343 209	5 024
664 213	661 161	3 052	Library	727 066	681 711	45 355
893 519	1 138 622	(245 103)	Community Halls & Facilities	1 014 100	1 080 178	(66 078)
1 843 283	2 134 002	(290 719)		2 089 399	2 105 098	(15 699)
			Planning and Development			
953 744	887 837	65 907	Technical Services	727 250	706 319	20 931
88 152	144 860	(56 708)	Tourism	221 932	221 373	559
1 041 896	1 032 697	9 199		949 182	927 692	21 490
			Disaster Management			
124 160	103 484	20 676		2 951	40 543	(37 592)
			Road Transport			
3 311 783	2 930 739	381 044	Roads	2 197 904	3 459 888	(1 261 984)
949 508	1 396 180	(446 672)	Vehicle Licensing & Testing	1 611 020	1 992 988	(381 968)
4 261 291	4 326 919	(65 628)		3 808 924	5 452 876	(1 643 952)
			Sport and Recreation			
338 368	326 831	11 537	Parks & Gardens	380 002	788 591	(408 589)
2 337	8 650	(6 313)	Sports Grounds & Stadiums	2 124	(590)	2 714
340 705	335 481	5 224		382 126	788 001	(405 875)
			Other			
5 029 850	5 223	5 024 627	Forestry	48 883	5 223	43 660
-	86 010	(86 010)	Workshop		117 738	(117 738)
5 029 850	91 233	4 938 617		48 883	122 961	(74 078)
25 179 231	20 277 667	4 901 564	Total Rate and General Service	17 135 561	21 582 581	(4 447 020)
			TRADING SERVICE			
10 249 672	7 773 888	2 475 784	Electricity	8 920 396	8 739 871	180 525
			HOUSING SERVICE			
-	-	-	Housing Schemes	-	-	-
			WASTE MANAGEMENT			
2 191 287	2 497 885	(306 598)	Solid Waste	2 603 152	2 791 943	(188 791)
			AFFORESTATION SCHEME			
				10 061 469	5 250 230	4 811 239
			GRANTS			
11 535 830	11 535 830	-	Housing projects	13 605 438	13 605 438	-
2 000 956	-	2 000 956	Capital grants	9 931 513		9 931 513
51 156 976	42 085 270	9 071 706	TOTAL	62 257 529	51 970 063	10 287 466

APPENDIX E (1)

**UMUZIWABANTU MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
FOR THE YEAR ENDED 30 JUNE 2008**

	2008 Actual R	2008 Budget R	2008 Variance R	%	Explanation of Significant Variances greater than 10%
REVENUE					
Property rates	3 737 382	4 135 000	(397 618)	(9.6)	Not applicable
Property rates-penalties and charges	813 378	990 000	(176 622)	(17.8)	Income over-budgeted
Service charges	8 602 189	8 225 000	377 189	4.6	Not applicable
Rental on facilities and equipment	131 330	232 000	(100 670)	(43.4)	Income over-budgeted
Interest earned-external investments	1 322 807	1 735 000	(412 193)	(23.8)	Budget did not take into account interest allocations to Reserves
Fines	74 680	1 251 500	(1 176 820)	(94.0)	Income over-budgeted
Licences and permits	1 538 670	1 563 000	(24 330)	(1.6)	Not applicable
Government grants and subsidies	26 007 810	18 841 500	7 166 310	38.0	Budget was not prepared in the same format as these financial statements
Capital grants	9 931 513	-	9 931 513	100.0	Budget was not prepared in the same format as these financial statements
Afforestation Scheme sales	6 067 940	-	6 067 940	100.0	New basis of accounting - see note 29
Changes in value of biological assets	3 460 113	-	3 460 113	100.0	New basis of accounting - see note 29
Other Income	569 717	695 000	(125 283)	(18.0)	Income over-budgeted
Total Revenue	62 257 529	37 668 000			
EXPENDITURE					
Employee related costs	14 052 420	14 204 500	152 080	1.1	Not applicable
Remuneration of Councillors	3 712 173	3 641 700	(70 473)	(1.9)	Not applicable
Bad debts	(52 662)	182 000	234 662	128.9	Expenditure over-budgeted
Depreciation	2 228 774	1 811 700	(417 074)	(23.0)	Expenditure under-budgeted
Repairs and maintenance	2 450 083	2 788 200	338 117	12.1	Expenditure over-budgeted
Interest paid	121 772	255 100	133 328	52.3	Expenditure over-budgeted
Bulk purchases	5 398 731	5 172 000	(226 731)	(4.4)	Not applicable
Contracted services	787 252	1 014 000	226 748	22.4	Expenditure over-budgeted
Grants paid	-	-	-	-	
General expenses	5 692 669	8 598 800	2 906 131	33.8	Expenditure over-budgeted
Afforestation Scheme cost of sales	3 307 193	-	(3 307 193)	(100.0)	New basis of accounting - see note 29
Afforestation Scheme general expenses	666 220	-	(666 220)	(100.0)	New basis of accounting - see note 29
Housing Projects expenditure	13 605 438	-	(13 605 438)	(100.0)	Budget was not prepared in the same format as these financial statements
Total Expenditure	51 970 063	37 668 000			
SURPLUS FOR THE YEAR	10 287 466	-			

APPENDIX E (2)

**UMUZIWABANTU MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
FOR THE YEAR ENDED 30 JUNE 2008**

	2008 Actual	2008 Budget	2008 Variance Amount	%	Explanation of Significant Variances greater than 5 %
	R	R	R		
Land and Buildings					
Building construction and upgrades	537 952	400 000	(137 952)	(34)	Expenditure includes security fencing
Security fencing		100 000	100 000	100	Expenditure is included in the building expenditure of R 537,952 above
Violence-damaged houses		950 000	950 000	100	Violence-damaged houses were not repaired
Park homes		150 000	150 000	100	No purchases made
	537 952	1 600 000	1 062 048		
Infrastructure					
Roads upgrade	9 811 583	4 650 000	(5 161 583)	(111)	More grant funding was available - so more expenditure was incurred
MIG Projects : top-up funding		1 200 000	1 200 000	100	Expenditure is included in the roads upgrade expenditure of R 9,811,583
Traffic lights		600 000	600 000	100	Expenditure is included in the roads upgrade expenditure of R 9,811,583
Electricity	87 825	3 200 000	3 112 175	97	Upgrade delayed due to road construction
	9 899 408	9 650 000	(249 408)		
Community Assets					
Town hall and Library	190 481	225 000	34 519	15	Expenditure was over-budgeted
Stadium upgrade	42 115	100 000	57 885	58	Expenditure was over-budgeted
Community buildings	497 754	-	(497 754)	(100)	Expenditure was under-budgeted
Plant and equipment	408 041	-	(408 041)	(100)	Expenditure was under-budgeted
Community Facilities : Furniture and equipment		100 000	100 000	100	Expenditure was over-budgeted
	1 138 391	425 000	(713 391)		
Other Assets					
Motor vehicles	1 551 461	2 150 000	598 539	28	Expenditure was over-budgeted
Plant, machinery and equipment	261 500	500 000	238 500	48	Expenditure was over-budgeted
Office furniture and equipment	514 551	750 000	235 449	31	Expenditure was over-budgeted
	2 327 512	3 400 000	1 072 488		
Total Assets	13 903 263	15 075 000	1 171 737		
Non Capital items	-	8 883 000	8 883 000	100	Housing project expenditure totalled R 13,605,438 (see note 17)
	13 903 263	23 958 000	10 054 737		

APPENDIX F

UMUZIWABANTU MUNICIPALITY: DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT YEAR ENDED 30 JUNE 2008

Name of Grant	Name of organ of state or municipal entity	Unspent at 30.06.2007	Received 2008	Expended 2008	Unspent 30.06.2008
		R	R	R	R
Equitable Share	National	1 629 522	14 615 303	(11 115 303)	5 129 522
Donsibhodwe	Province of KZN	10 000			10 000
Planning Capacity	Province of KZN	103 133	200 000	(165 871)	137 262
IS Support	Province of KZN	200 000			200 000
Library Internet Project	Province of KZN	0	88 900		88 900
Mazakhele - DOH grant	Province of KZN	0	97 800	(97 800)	0
Violence Damage	Province of KZN	956 683			956 683
Tourism Plan	Province of KZN	66 686			66 686
Stormwater Culvert	Province of KZN	42 643			42 643
CMIP	Province of KZN	19 255			19 255
Management Assistance Programme	Province of KZN	892 125		(288 870)	603 255
KZNPA - Management audit	Province of KZN	134 572			134 572
KZNPA - Administration Facilities	Province of KZN	17 919			17 919
LUMS	Province of KZN	73 000			73 000
Integrated Development Plan	Province of KZN	142 669		(40 124)	102 545
Library	Province of KZN	79 793		(79 793)	0
Poultry Project	Province of KZN	5 984			5 984
Honey Production	Province of KZN	671 502		(502 455)	169 047
Property Rates Act	Province of KZN	252 471			252 471
Inter Department Monitoring	Province of KZN	39 157			39 157
Finance Management Support	Province of KZN	492 318	500 000	(180 530)	811 788
PMS	Province of KZN	160 832		(15 457)	145 375
MFMA Implementation	National Treasury	0			0
Kwa Fodo Housing	Province of KZN	0	12 963 347	(12 963 347)	0
Home Owners Ploughing	UGU District Municipality	3 530			3 530
Municipal Housing Plan	Province of KZN	0			0
Nhlangano Kwa Jali Housing	Province of KZN	0			0
Kwadumisa Housing	Province of KZN	0	544 291	(544 291)	0
Community Development Workers	Province of KZN	0			0
LED Support	UGU District Municipality	75 000			75 000
Community Participation	UGU District Municipality	0			0
Clean Up Campaign	UGU District Municipality	0			0
Youth	Province of KZN	2 701		(2 701)	0
Gijima	European Union	0	222 543	(131 590)	90 953
REDS	Province of KZN	150 000			150 000
Municipal Infrastructure (MIG)	Province of KZN	2 168 332	9 574 888	(9 201 328)	2 541 892
		<u>6 760 305</u>	<u>24 191 769</u>	<u>(24 214 157)</u>	<u>6 737 917</u>
		8 389 827	38 807 072	(35 329 460)	11 867 439

NOTES

- 1.No grants were delayed or withheld
- 2.Conditions in terms of the Division of Revenue Act were complied with in all instances